

## What's New and Other Important Information for 2003

The Form 540 2EZ is no longer a postcard. Due to California's budgetary constraints the form was changed to a regular size tax return. The costs of producing and processing a regular size tax return are less than producing and processing a postcard-size form.

Form 540 2EZ is one of the simplest and easiest forms to complete, so we wanted to expand the availability of this form to more taxpayers.

You can now use Form 540 2EZ to file your taxes if:

- You (or if married, your spouse) are 65 or older,
- You received U.S. social security benefits, or
- You received tier 1 and tier 2 railroad retirement benefits

**Note:** You may claim the senior exemption if you (or if married, your spouse) are 65 or older and choose any of the four filing statuses offered on Form 540 2EZ.

**Use Tax:** For taxable years beginning on or after January 1, 2003, if you made a purchase from an out-of-state seller and did not pay California use tax, you may report the California use tax on your personal income tax return. For more information, see Additional Information.

**Southern California Wildfires:** If you were a victim of the Southern California Wildfires, get Pub. 1034, California Disaster Relief Tax Provisions, and Pub. 1034A-4, Southern California Wildfires, for more information.

**Mandatory e-file:** If you are a tax practitioner who prepared more than 100 individual income tax returns during the calendar year that began on or after January 1, 2003, and in the current calendar year, you prepare one or more individual income tax returns using tax preparation software, then for that calendar year and for each subsequent calendar year thereafter, all income tax returns you prepare shall be electronically filed (e-file) with the Franchise Tax Board. For additional information regarding e-file, visit our Website at [www.ftb.ca.gov](http://www.ftb.ca.gov)

**New Voluntary Contribution Fund:** You may make voluntary contributions to the California Missions Foundation Fund. See page 10 for a description of this fund and others.

## Other Important Information

**Note:** The following incentives cannot be claimed on Form 540 2EZ. Please e-file or get Form 540 from our Website at [www.ftb.ca.gov](http://www.ftb.ca.gov). If you want to file a paper form, download it from our Website.

**Child and Dependent Care Expenses Credit/Treatment of never married persons:** Parents who are not married are treated the same as divorced or separated parents for purposes of claiming the California Child and Dependent Care Expenses Credit.

**Holocaust Restitution Payments:** An exclusion is provided for Holocaust reparations received by an eligible individual, their heirs, or estate for Holocaust restitution payments, distributions, or excludable trust.

**Energy Rebates:** Eligible individuals can take an exclusion for vouchers, rebates, or other financial incentives received from the California Energy Commission, the Public Utilities Commission, or a local publicly owned utility for the purchase and installation of specified energy production systems. Get form FTB 3508, Solar Energy System Credit.

**Exclusions for Registered Domestic Partners:** Several taxpayer benefits are extended to apply to a taxpayer's 'registered domestic partner' and the domestic partner's dependent(s) for medical expenses and health insurance benefits that occur on or after January 1, 2003. These include:

- The exclusion from gross income for employer-provided accident and health insurance,
- An exclusion from gross income for medical expense reimbursement if the expense was not previously deducted,
- Medical expenses deductible as an itemized deduction,
- Long-term health care insurance deductible as a medical expense, and
- A deduction by self-employed individuals for health insurance costs paid for themselves, their spouses, and dependents. The deduction may not exceed the net earnings from the trade or business in which the insurance plan is established.

**Military Service Benefits:** Extensions of time are provided to members of the National Guard ordered into active service by the Governor of California or active federal service by the President of the United States for emergency purposes and to reservists called to active duty. The extensions apply to, among other things, court proceedings, contract obligations, rental agreements, taxes or assessments, and health or medical insurance. In addition, California allows an exemption from taxes to any California taxpayer who dies on active duty with any branch of the armed forces of the United States.

### **General Information**

California has conformed to the Victims of Terrorism Tax Relief Act of 2001 to allow victims who have died as a result of the terrorist attacks of September 11, 2001, and the anthrax incidents in 2001, a forgiveness of their state tax liability for the year immediately preceding the incident and all subsequent tax years until the date of death. For victims who died in 2001, this will result in a forgiveness of tax liability for tax year 2000 and 2001. For more information, get Form 540X, Amended Individual Income Tax Return and instructions.

In addition, with respect to a declared disaster, terrorist attack, or military action occurring on or after September 11, 2001, you may receive an extension of up to one year to file a tax return and/or make estimated tax payments.

### **Interest Income**

We eliminated the \$400 interest income limit for using Form 540 2EZ.